



Senator Feinstein Votes For Energy Bill – But Raises Concerns About Missed Opportunity to Address Global Warming

June 28, 2005

Washington, DC – The United States Senate today approved a comprehensive Energy Bill. U.S. Senator Dianne Feinstein (D-Calif.) voted in favor of the bill, though she expressed some serious reservations about missed opportunities. However, the bill includes provisions to strengthen consumer protections to prevent market manipulation that Senator Feinstein has been urging since the Western Energy Crisis. Following is a statement by Senator Feinstein:

“Mr. President, I would like to start by thanking Chairman Domenici and Senator Bingaman for all of their hard work on this bill. They said they were going to work to get a bipartisan bill and they accomplished their goal.

Overall, I believe that this Energy Bill will help the country meet its energy needs in a number of important ways. This bill provides strong consumer protections, aggressive energy efficiency standards, and a focus on new technologies to meet our energy needs in a more environmentally-friendly manner. Additionally, the bill takes a step in the right direction to reduce our consumption of fossil fuels, especially natural gas. This is a major improvement over past energy bills, which have done nothing to reduce our use of fossil fuels.

Consumer Protections

As we learned during the Western Energy Crisis, federal energy regulators did not have enough authority to prevent widespread market manipulation. Through the course of the crisis in California, the total cost of electricity soared from \$7 billion in 1999 to \$27 billion in 2000 and \$26.7 billion in 2001. The abuse in our energy markets was pervasive and unlawful.

So I am pleased to report that this bill includes provisions that I have sought over the past four years to strengthen consumer protections and hopefully prevent another energy crisis like the one we experienced in the West.

These consumer protections include:

- a broad ban on manipulation in the energy markets;
- stronger criminal and civil penalties in the energy markets to provide stronger deterrents to violations of federal energy laws;
- elimination of the unnecessary 60-Day waiting period for refunds at FERC, which may cost Californians millions of dollars;
- new provisions to make the energy markets more transparent; and

- a ban on traders who manipulated the natural gas or the electricity markets from ever trading in energy markets again.

Energy Efficiency Incentives

I am also very pleased that Senators Grassley and Baucus included in the energy bill much of the energy efficiency tax incentives that Senator Snowe and I sponsored.

The simplest, most effective thing we could do today to reduce our electricity use would be to use more energy efficient appliances, such as air conditioners, refrigerators, and clothes washers.

We know that energy efficiency works. In California, efficiency programs have kept electricity consumption flat for the past 30 years, in contrast to the rest of the United States, where consumption increased 50 percent.

During the Western Energy Crisis, California faced energy shortages and rolling blackouts, but it could have been much worse. Ultimately, the State was able to escape further blackouts because Californians made a major effort to conserve energy. This reduced demand for electricity and helped ease the crisis.

By creating incentives to reduce demand, the energy efficiency tax incentives will help us avoid power shortages and blackouts in the future. In addition, encouraging more efficient technologies will also reduce pollution and save consumers billions of dollars in the long run.

America cannot solve its energy challenges by simply adding more supplies. We must find ways to reduce demand for energy and create more efficient technologies. Including the energy efficiency tax incentives is a big step in the right direction.

Concerns

For all of those reasons, I am supporting this bill. However, I still have some major reservations about the legislation as it now stands. Among them are:

- **Ethanol.** The bill includes an 8 billion gallon mandate for ethanol when my State does not need it to meet clean air standards. I think this mandate is bad and costly public policy.
- **LNG Siting.** This bill gives the Federal Energy Regulatory Commission exclusive authority over siting LNG terminals. I believe States should have a strong voice in this process.
- **Global Warming.** Though we can already see the real effects of global warming, this bill takes no effective action to curb greenhouse gases.
- **Outer Continental Shelf.** This bill provides for an inventory of the resources off our shores. This is not necessary unless we plan on drilling, to which I remain very much opposed.

Essentially, this bill takes no risks whatsoever to do the right thing. And though I will vote in favor of this bill, I would like to discuss these serious reservations that I have with it.

Ethanol

I am extremely concerned about the bill's 8 billion gallon ethanol mandate.

First, though, I would like to thank the Committee for accepting an amendment I offered to protect California's air quality. It waives the requirement that California use ethanol in the summer months when it can end up polluting the air more than protecting it.

Despite this win for California's air quality, I still have concerns about the impacts of mandating that refiners use 8 billion gallons of ethanol by 2012.

President Bush has said over the past few months that this Energy Bill will not do anything to reduce gas prices at the pump. I would like to add another note of caution: I hope this bill does not actually increase the price at the pump for consumers.

According to the Energy Information Administration, gas prices in California have been anywhere between 4 and 8 cents higher since ethanol replaced MTBE in California's gasoline, starting in 2003.

In May 2005, the Director of the Petroleum Division at the Energy Information Administration stated before the House Government Reform Committee that:

'...refiners lost production capability when replacing MTBE with ethanol. This, along with continued demand growth, has contributed to price pressures. From 2000 through 2002, California retail gasoline prices averaged about 19 cents per gallon more than the U.S. average gasoline price, but in 2003 as MTBE began to be removed, California prices averaged 27 cents per gallon higher than the U.S. average, and remained at that level through 2004.'

So far this year, California's gasoline prices are at least 23 cents higher than the national average. To be clear, adding ethanol to our gasoline has increased the cost at the pump. In addition, when the 8 billion gallon mandate is fully implemented in 2012 it will only reduce U.S. oil consumption by one-half of one percent.

Since ethanol is has a somewhat lower energy content than gasoline, more of it is required to travel the same distance. This results in a vehicle's fuel economy being approximately 3 percent lower with ethanol-blended gasoline.

Further, this provision is both a mandate and a subsidy. Ethanol receives a tax credit of 51 cents per gallon. An 8 billion gallon mandate means a \$2 billion LOSS to the U.S. Treasury over today's receipts.

I do not believe that we should be imposing this huge mandate at a time when there is already such a huge subsidy to the ethanol industry, and when the nation has such huge budget deficits. We should have either the subsidy or the mandate, but not both.

LNG Siting

I also remain concerned about the provision in the bill that provides exclusive authority over siting onshore liquefied natural gas terminals to the Federal Energy Regulatory Commission.

Increased demand for natural gas means we need new natural gas supplies, and liquefied natural gas is one of the options available to us. States will be responsible for the safety of these facilities for a long time after they are sited. That is why it is so important to preserve the rights of the States to participate in the process to determine where these facilities should be located.

For LNG facilities that are sited more than three miles offshore, the Governor has the right to approve or veto a project. Yet for facilities that are located onshore, in our busy ports and near our closely-packed communities, States have less input.

That is why I offered an amendment to provide Governors the same authority for siting onshore facilities that they already have for offshore facilities. To give a remote federal agency control when States are concerned about the safety of residents near a proposed site is a mistake. I firmly believe that States should have the right to veto a project that could endanger the public safety of its citizens.

Global Warming

I would like to thank Senators Lieberman and McCain for their efforts to address the growing and imminent problem of global warming. I strongly supported their amendment to cap greenhouse gas emissions at the year 2000 levels by 2010 and implement a market-based emissions cap and trade system.

The United States has only 4 percent of the world's population, and yet we produce 20 percent of the world's greenhouse gas emissions. As the world's largest greenhouse gas emitter, the U.S. has a duty to act.

We have already begun to see the very real effects of global warming. The polar ice caps are shrinking, glaciers are melting, snowpacks are dwindling, and coastlines are falling away.

If we do not act, these problems will only grow worse. California depends on the Sierra Nevada snowpack as its largest source of water. It is estimated that by the end of the century, the shrinking of this snowpack will eliminate the water source for 16 million people -- equal to all of the people in the Los Angeles Basin.

Much of the world is already reducing their greenhouse gas emissions and they are counting on us to do the same. It is time that the United States -- the world's largest contributor to climate change -- stepped up and took responsibility for our actions and their impact on the world. Global warming is too serious a problem for us to keep ignoring it.

Yet the Senate voted against the McCain-Lieberman amendment. We missed a big opportunity to do the right thing for our country and for the world.

Outer Continental Shelf

I am also concerned because the bill includes a provision that would allow the Department of Interior to conduct an inventory of the resources in the Outer Continental Shelf. I joined my colleagues from Florida and New Jersey to strip this provision from the bill. Unfortunately, the amendment was not agreed to.

Why would we need to inventory the resources on the Outer Continental Shelf unless we intend to drill there? I believe this provision is the proverbial 'nose under the camel's tent.'

I strongly oppose lifting the moratoria on drilling on the Outer Continental Shelf and my State is unified in its opposition as well. Our coast is too important to California's economy and to our quality of life.

Fuel Economy

Despite soaring gas prices, this bill does not take any steps towards reducing our oil consumption, which could easily be done by holding SUVs and light trucks to the same fuel economy standards as passenger vehicles. SUVs have gained popularity to the point that they now make up more than half of new car sales in the United States. That is why I believe SUVs and light trucks should be held to the same fuel efficiency and safety standards as the smaller passenger cars they are replacing on our roads.

This would both reduce our oil consumption and imports as well as curbing greenhouse gas emissions that cause global warming. In addition, increasing fuel economy in SUVs and light trucks would save owners hundreds of dollars each year at the gas pump.

Consumers are concerned about high gas prices, yet we do next to nothing in the bill to increase the fuel economy of our vehicles so that they use less gasoline.

Our dependence on oil is reaching critical levels. Crude oil hit a record high of over \$60 per barrel this week and it is not going to fall significantly anytime soon. Crude oil is a global commodity and global oil demand is rising, especially in China and India.

In the past 5 years, China's oil imports have doubled, and show no signs of slowing down. Chinese demand for oil is expected to double again by 2025, while its imports will quadruple to 60 percent of its total oil consumption. China is now the world's second biggest oil consumer, behind only the U.S. And we recently heard the news that China wants to buy an American oil company.

In addition, India's oil needs are expected to grow rapidly in the coming years. Last year alone, India's oil consumption grew by 10 percent. Their rapidly growing economies are fueling their growing dependence on oil -- which makes continued higher prices inevitable.

The most effective step we can take to reduce gas prices is to reduce demand. We must use our limited fuel supplies more wisely. That is why I am so disappointed that the Senate did not include any provisions to increase fuel economy in the bill.

House Bill

I am pleased that the Chairman and Ranking Member were able to work together on a bill that does not roll back environmental protections, as the House bill does. I want to take a minute to point out the most egregious House provisions that I hope we will not see in a conference report. They include:

- Retroactive liability protection for MTBE producers despite the fact that the Courts have already found that they make a ‘defective product.’ This provision protects oil companies from having to pay billions of dollars to clean up the water supplies across the country that MTBE has contaminated.

Even though I am supporting the Senate Energy Bill, I will not hesitate to vote against the conference report if it includes MTBE liability protection.

- Allowing communities to get out of requirements to clean up their air if they claim that part of its problem is a result of transported air pollution. This provision severely weakens the Clean Air Act.
- Exempting the underground injection of chemicals during oil and gas development from regulation under the Safe Drinking Water Act.
- Weakening the ability of states to have a say in federal activities that affect their coasts, including limiting appeals related to pipeline construction or offshore energy development under the Coastal Zone Management Act.
- Opening the Arctic National Wildlife Refuge to drilling.

Further, the House \$8 billion tax package is completely lopsided in favor of oil and gas production—only 5 percent of the \$8 billion goes toward incentives for renewable energy production.

Conclusion

While I am pleased that the bill includes strong consumer protections that will hopefully prevent another energy crisis, incentives for energy efficiency, and promotes new energy technologies, I am disappointed that the bill does not do the right thing on global warming, ethanol, fuel economy, the outer Continental Shelf, or LNG siting. And so, it is with reluctance that I cast my vote in favor of this Energy Bill.”

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